



**DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-90
September 3, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2003

The following problems were discovered as a result of an audit conducted by our office of the Department of Health and Senior Services, Office of the Director.

The Department of Health and Senior Services (DHSS) needs to improve its policies, procedures, and records over contracted professional services. The state's Office of Administration (OA) has granted the department the authority, through state law, to procure certain contractual services directly rather than referring their procurement to the OA, Division of Purchasing and Materials Management. The department must still comply with the state's purchasing guidelines, such as soliciting competitive bids for purchases of \$3,000 or more, and referring purchases of \$25,000 or more to the OA.

Our review disclosed the following concerns:

- It appears the procurement of some contracted services compromised the intent of the state bidding laws. The department sometimes obtained consultants and other services by contracting with governmental entities rather than directly with the entity who provided the service, and incurred management fees in some instances.
- The department's bid process did not always provide a legitimate opportunity for prospective vendors to compete. Nor did the department always solicit qualified bidders.
- The department did not always properly prepare/retain documentation of the procurement process or follow procurement guidelines. In addition, the department does not require documentation from contractors that they use a bid and evaluation process for the selection of subcontractors.

The department did not always receive or require adequate invoices or other documentation to support payments for contracted services. In addition, it appears the department did not always adequately review invoices and/or supporting documentation for compliance with contract terms.

- The department contracted for computer consulting services related to the development of a centralized public health information system. The contract covers the period of February 2001 to January 2004, and the department has paid the vendor approximately \$3.7 million through March 2003. The invoices did not document job classification; however, the invoices were based on hours worked, at the contracted rate for various job classification titles.

YELLOW SHEET

- Vendor invoices for an outreach program did not adequately document the services provided. The maximum cost reimbursement for the contract was \$985,000.
- In fiscal year 2001, several vendor invoices for a HIV/AIDS service coordination contract did not include sufficient detail for costs, and it appears the department did not sufficiently review the invoices. Although the contract listed a maximum amount of \$16,157 for administrative costs, we noted administrative costs billed totaled \$25,224, or \$9,077 more than what was allowed.
- Not all contracts required a budget for planned expenditures. Two of eight contracts and related amendments reviewed were not supported by a budget outlining how the funds were to be spent.

The State Public Health Laboratory (SPHL) does not generally recover the related costs of its services. In fiscal years 2002 and 2001, SPHL expenditures totaled approximately \$6.8 million and \$5.6 million, respectively, while revenues, including testing fees, handling fees, and Medicaid billings, totaled approximately \$1.3 million each year. In addition, the SPHL did not always bill Medicaid programs for applicable services. Also, the department needs to determine if it is effective and efficient to continue staffing branch laboratories.

The department needs to improve its policies and controls over cellular telephones. The procurement and coordination of all cellular telephone equipment and services has not been adequately overseen. Expenditures related to cellular telephone services totaled approximately \$33,600 and \$22,100, for fiscal years 2002 and 2001, respectively.

Bids were not obtained for some expenditures in excess of \$3,000 and many invoices were not processed and paid on a timely basis. In addition, some food expenditures did not appear to be a prudent, reasonable, or necessary use of department funds, including \$468 for an appreciation luncheon for 28 employees at the Governor's Mansion and \$1,350 for breakfast and luncheon for a diabetes conference. Although the department was billed for 50 breakfasts and 125 lunches, only 58 attendees for the diabetes conference were documented.

The department needs to improve its management of state-owned vehicles. At December 31, 2002, the department maintained a fleet of 97 vehicles. Vehicle usage logs are not maintained for all vehicles and vehicle usage documentation, where maintained, varied among the department units.

The audit report also includes some other matters related to time accounting, computer equipment controls, policies and records, and internal audit upon which the department should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-27

<u>Number</u>	<u>Description</u>	
1.	Procurement of Professional Services	5
2.	Oversight of Contracts	9
3.	State Public Health Laboratory	13
4.	Time Accounting	15
5.	Computer Equipment Controls, Policies, and Records	16
6.	Cellular Telephones	20
7.	Expenditures	23
8.	State Vehicles	25
9.	Internal Audit	27
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		28-35

Appendix

A	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2002 and 2001	32
B	Comparative Statement of Expenditures (From Appropriations), Years Ended June 30, 2002 and 2001	35

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
State Board of Health
and
Richard C. Dunn, Director
Department of Health and Senior Services
Jefferson City, MO 65102

We have audited the Department of Health and Senior Services, Office of the Director, including departmental units which report directly to the Director. This audit excluded those divisions and centers which report to the Deputy Director for Senior Services and Regulation and the Deputy Director for Health and Public Health. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2002 and 2001. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable statutes, regulations, and department policies.
2. Review the efficiency and effectiveness of certain management practices and operations.
3. Review certain other internal control procedures and management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed written policies, financial records, and other pertinent documents and interviewed various department personnel.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the audit of the Department of Health and Senior Services, Office of the Director.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Health and Senior Services, Office of the Director.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

March 28, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Kimberly Spraggs, CPA
Audit Staff:	Terese Summers, CPA
	Marty Carter

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Procurement of Professional Services
-----------	---

The Department of Health and Senior Services (DHSS) needs to improve its policies, procedures, and records over contracted professional services. The procurement of some services appears to compromise the intent of state bidding laws and did not always provide a legitimate opportunity for prospective vendors to compete. Additionally, the department does not require documentation from contractors that they use a bid and evaluation process for the selection of subcontractors. Also, memorandums of understanding (MOU) were not always established.

In connection with various programs, the department contracts with local health agencies, other state agencies, universities, and other organizations or individuals. The state's Office of Administration (OA) has granted the department the authority, through Chapter 34 RSMo, to procure certain contractual services directly rather than referring their procurement to the OA, Division of Purchasing and Materials Management. The department must still comply with the state's purchasing guidelines, such as soliciting competitive bids for purchases of \$3,000 or more, and referring purchases of \$25,000 or more to the OA. In addition, the department may contract with other governmental entities, such as state agencies, local public health agencies, and universities, for supplies or services without soliciting bids only if the supplies or services can be provided directly by the governmental entity.

Our review of the department's policies, procedures, and records over procurement of professional services disclosed the following concerns:

- A. It appears the procurement of some contracted services compromised the intent of the state bidding laws. Also, documentation related to the procurement process needs to be improved.
 - 1. The department sometimes obtained consultants and other services by contracting with governmental entities rather than directly with the entity who provided the service.
 - During the five years ended June 30, 2003, the department procured crisis intervention home visitation services from an organization in St. Louis without using a competitive bid process. Instead, the department contracted with various governmental entities who subcontracted with the organization for the services.

The contract amount designated to fund this organization during fiscal years 2003, 2002, and 2001 was \$194,000, \$164,900, and \$194,000, respectively. According to department officials, certain members of the General Assembly suggested this organization be used for these services.

In January 2003, the department transferred its responsibility and appropriation authority to provide these services to the Department of Social Services (DSS) through a memorandum of agreement. In turn, the DSS has an agreement with the Children's Trust Fund, who subcontracts with this organization for the services. Prior to January 2003, the department contracted with either the Children's Trust Fund or the St. Louis County Health Department who subcontracted for these services from this organization.

- In fiscal year 2001, rather than procuring training services totaling over \$18,000 directly, the department obtained these services by contracting with the University of Missouri-Columbia, who subcontracted with consultants for the services. According to department employees, the university was used to expedite the services.

In addition, the department did not have a copy of the contracts signed by both the department and the university for these services. We also noted the purchase orders were prepared after the contracts were established and the services were performed.

The department circumvented the competitive bid process required by state law by contracting with governmental entities for services which could not be provided directly by the entity. Also, by contracting with the university, the department incurred management fees, totaling approximately \$1,900, that would not have been necessary had the department contracted directly for the services.

2. The department's bid process did not always provide a legitimate opportunity for prospective vendors to compete.
 - The department awarded a contract for the second phase of a project to a former employee; however, it appears the invitation for proposals (IFP) was written to accommodate the former employee's qualifications. The contract, totaling \$98,000, was not to exceed \$24,500 per year for the period June 2001 through May 2005 for approximately 16 hours of work per week.

According to department officials, the services were contracted because the department's budget no longer had a position for this

employee to work on the project. The employee had previously worked part-time on phase one of the project. The IFP's restrictive qualifications included experience as a participant in, or consultant to the project. In February 2003, the contract was terminated due to insufficient funding.

- It appears the department did not always solicit qualified bidders. The department sent four vendors a request for quotation for workshop training; however, it appears only one vendor had the expertise to conduct such training, based on the documentation maintained by the department. The training was for five policy and procedures workshops for local public health agencies, during September to December 2000, and the cost was not to exceed \$18,398.

In addition, the department did not properly prepare/retain documentation of the procurement process or follow procurement guidelines. According to department employees, the general procedure is for a review committee to evaluate bids when more than one bid is received. However, in this case, only one division employee evaluated the three bids received. In addition, a purchase request form was not completed and filed with the grants and contracts section for approval as required by the department's procurement policy, and the department did not have documentation that notification letters were sent to non-responsive and unsuccessful bidders. Also, the department did not have a copy of the contract signed by both parties.

Soliciting proposals and entering into a truly competitive bidding process does not preclude the department from selecting the vendor or individual best suited to provide the service required. Good bidding practices provide the department with a range of possible choices and allow it to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. Also, the department should evaluate whether potential bidders have the expertise for the services required before requesting proposals.

In addition, the department should ensure that all procurement documentation is prepared and retained in accordance with department policy. Also, OA's procurement policy provides that "all documentation related to each procurement must be maintained in a centralized manner so that there is a clear audit path linking the solicitation process, evaluation, award, and payment", and that documentation should include items such as signed procurement authorization, signed purchase order, and correspondence concerning the procurement.

- B. The department does not require documentation from contractors that they use a bid and evaluation process for the selection of subcontractors. Without requiring contractors to provide documentation that a competitive bid process was used for the selection of subcontractors, the department cannot ensure it is receiving fair value for goods and services to be reimbursed.
- C. The department did not always establish MOUs, as appropriate. MOUs are used when the department is reimbursed for services to external entities or for services between department units. The Office of Information Systems (OIS) does not have MOUs for various computer-related services provided to other department units. Although this lack of MOUs for the computer services was reported by the department's internal audit section in May 2001, the department has not corrected this problem.

In addition, the department did not have a MOU with the DSS outlining each entity's duties and responsibilities relating to a health care outreach program.

Written MOUs are necessary to outline the terms of arrangements, specify services to be provided, and identify the related funding. All department agreements should be in writing and signed by each party.

WE RECOMMEND the DHSS, Office of the Director:

- A. Ensure contracted services are competitively bid in accordance with state purchasing guidelines, and the procurement process is handled in a manner consistent with the intent of the law. The department should discontinue the practice of contracting with governmental entities for services that can be obtained directly from a vendor. In addition, adequate procurement documentation should be prepared and maintained in accordance with the department and OA policies.
- B. Require documentation that contractors use a bid and evaluation process for the selection of subcontractors.
- C. Enter into written MOUs which specifically outline the terms of the arrangement, specify services to be provided, and identify the related funding, as appropriate.

AUDITEE'S RESPONSE

- A. *We partially agree. The Department makes every attempt to follow OA bid requirements. However, there are circumstances where we need to get contracts in place in a very short time period, and going through the bid process would not allow us to receive and disburse these funds in accordance with the grant funding agency. When time is of the essence, we might contract with the University of Missouri to obtain these services. In the instance with the Crisis Home Intervention Services in St. Louis, this contracting*

arrangement was established according to direction from certain members of the General Assembly.

- B. We disagree. Our current contracts do not require the contractor to share documentation with us regarding their subcontractors. Therefore, we have no authority to require this from our contracts. We will review whether this language should be added to future contracts.*
- C. We concur. We make every effort to obtain MOUs with both internal and external agencies. The Chief Operating Officer will meet with the Director of the Center for Health Information Management and Evaluation to assess the situation and to emphasize the importance of getting signed MOUs for OIS services.*

2. Oversight of Contracts

The department did not always receive or require adequate invoices or other documentation to support payments for contracted services. Some contracts were not supported by a budget, and contracts and MOUs were not always signed by all parties on a timely basis. In addition, department units are not required to use a risk-based system to monitor contracts and the monitoring procedures performed were not always adequately documented.

- A. The department did not always receive or require adequate invoices or other documentation to support payments for contracted services. In addition, it appears the department did not always adequately review invoices and/or supporting documentation for compliance with contract terms.

- Computer consulting invoices were not complete and the department did not always ensure invoices were supported by approved timesheets. The department contracted for computer consulting services relating to the development of a centralized public health information system. The contract covers the period of February 2001 to January 2004 and the department has paid the vendor approximately \$3.7 million through March 2003.

The invoices did not document job classifications; however, the invoices were based on hours worked, at the contracted rate for various job classification titles. As a result, the department cannot satisfactorily review the invoices to ensure the correct pay rate is used for each contracted employee.

Additionally, contracted employees are supervised by department employees and their timesheets are reviewed and approved by the department employees. However, the contractor does not always submit copies of the signed timesheets to support the invoices, and the department

does not retain copies of the signed timesheets. By comparing the contractor's invoices to approved timesheets, the department would have more assurance it is being billed for actual time worked.

- Vendor invoices for an outreach program did not adequately document the services provided. In fiscal year 2002, the department contracted with a primary care association to implement an outreach program to enroll Medicaid eligible women and minorities in the city of St. Louis and in southeastern Missouri. The association subcontracted with various community health centers which served the targeted population. The maximum cost reimbursement for the contract was \$985,000.

The association's invoices only listed the amounts billed for the subcontractors and did not provide detail of the actual services provided by the subcontractors. The department's contract with the association required itemized invoices for allowable costs in accordance with contract deliverables be submitted and defined what types of costs were allowable. The department needs detail of the subcontractor's services to effectively monitor contract terms and to ensure costs are allowable.

- In fiscal year 2001, several vendor invoices for a HIV/AIDS service coordination contract did not include sufficient detail for costs, and it appears the department did not sufficiently review the invoices. Although the contract listed a maximum amount of \$16,147 for administrative costs, we noted administrative costs billed totaled \$25,224, or \$9,077 more than what was allowed.

After we brought the overpayment to the attention of department employees, the employees reviewed the invoices and concluded the contractor incorrectly recorded direct costs associated with a program which was added to the contract through an amendment, as administrative costs. To adequately monitor compliance with contract terms, the department needs to ensure the vendor invoices include sufficient detail for the amounts billed.

- Two invoices, totaling \$18,810, for consultant training services did not appear adequate. Although the contracts provided a set fee for one trainer and an hourly rate for the other trainer along with travel, indirect charges, and administrative costs, the invoices provided no detail for these items and instead, simply noted a total amount due. In addition, department employees could not provide complete documentation of the dates, agendas, or names of attendees for the training sessions. As a result, the department has little assurance as to the propriety of these fees.
- Invoices from another consultant did not document the time worked or travel expenses incurred. Rather, the monthly invoices requested payment

for one-twelfth of the approved yearly budget of \$24,500. Payments should tie to work performed or the progress toward a completed contract.

- The costs paid by the department for a series of workshops exceeded the contract amount by \$1,086. The contract provided for the maximum cost reimbursement of \$18,398 including travel expenses. The department paid the consultant \$18,352 for workshops, meals, and ground transportation; and also paid vendors directly for lodging and airfare totaling \$1,132.

The department should ensure contracts sufficiently detail the method in which fees are calculated. Additionally, the department should require complete and accurate invoices be submitted which include sufficient documentation to show fees are valid and calculated in accordance with the contract. A careful review of invoices and supporting documentation is necessary to substantiate the validity, propriety, and reasonableness of amounts billed to the department. Also, the department should ensure contract amounts are not exceeded.

- B. Not all contracts required a budget for planned expenditures. Two of eight contracts and related amendments reviewed were not supported by a budget outlining how the funds were to be spent. Although not required by department policy, grants and contracts employees indicated that department units are encouraged to require budgets for contracted services.

A budget would be useful to help ensure both parties are aware of the planned expenditures and to serve as a tool for monitoring invoices to ensure expenses are valid and proper.

- C. Contracts and MOUs were not always signed on a timely basis. Seven of eight contracts/amendments and two MOUs between department units reviewed were not signed by all parties until after the effective date of the agreement. One contract was not signed by all parties until almost seven months after the effective date; and one MOU, which was effective for over five months, was not signed as of the date of our review.

Contracts and MOUs should be signed by all parties prior to the effective date so the contractors can be held to all contract terms and provisions during the contract period. Similar problems were reported by the department's internal audit section in May 2001.

- D. The department does not require its various units to use a risk-based system for monitoring contractors. The monitoring procedures in effect prior to October 2002 required site visits be conducted at least twice a year for contracts of a year or more. The documentation for these site visits generally consisted of completing a standard checklist. However, the checklists we reviewed did not always adequately document what procedures were performed by the reviewer

during the site visit. Current procedures require each department unit to develop its own monitoring policies and procedures which should include site visits to each professional contractor.

The monitoring of contracts should not be an automatic system of site visits. Instead, the department should evaluate risk factors such as:

- amount of the contract
- complexity of the contract requirements
- prior experience with the contractor
- resources available for monitoring efforts
- cost effectiveness of various monitoring procedures
- detailed information submitted by the contractor
- audits of the contractor

A risk-based system would identify and evaluate various risk factors to determine the type and extent of monitoring to perform, including whether a site visit is necessary. In addition, monitoring procedures performed should be adequately documented.

WE RECOMMEND the DHSS, Office of the Director:

- A. Ensure invoices for contracted services are supported by adequate documentation of fees and expenses and reviewed for validity and accuracy. In addition, the department should ensure compliance with contract terms and budgets.
- B. Require budgets be prepared for all contracts. In addition, invoices should be compared to the budget to help ensure expenses are valid and proper.
- C. Ensure contracts and MOUs are signed by all parties prior to the effective date of the agreement.
- D. Establish a risk-based system for monitoring contracts and ensure monitoring procedures performed are adequately documented.

AUDITEE'S RESPONSE

- A. *We agree. We will inform OIS that the contractor must submit along with their invoice, signed timesheets setting forth the employees' job classification titles. This will allow OIS to review the invoice and the state reimbursement rate per the contract. The Department will continue to ensure that appropriate documentation is received and maintained to substantiate the validity, propriety, and reasonableness of amounts billed to the Department.*

- B. *We disagree. This was originally a DSS contract which DHSS took over. DSS has since taken this contract back. The Department encourages budgets for contracted services, so this should be corrected if DHSS should issue contracts in the future.*
- C. *We partially agree. The Department makes every effort to obtain all signatures on a contract prior to the effective begin date of a contract. However, this is not always possible, especially when the contractor has to be approved by a Board of Directors that does not meet on a timely basis.*
- D. *We disagree. We do not currently require site visits for all contracts; however, some grant funding agencies do require site visits. When site visits are not required by the grant funding agency, the program staff evaluate the necessity of performing a site visit, and will perform a desk review if that will be adequate to ensure compliance. When program staff determine that there is a risk of a contractor not performing per the contract, the program staff can perform site visits and take other appropriate actions. Our contracts are so various and diverse, we do not have a risk-based computer program that could cover all contracts. However, program staff have experience and expertise which helps them to individually analyze the risk factors and how they will monitor those contracts and the need for site visits.*

3.	State Public Health Laboratory
-----------	---------------------------------------

The State Public Health Laboratory (SPHL) does not generally recover the related costs of its services. In addition, the SPHL did not always bill Medicaid programs for applicable services. Also, the department needs to determine if it is effective and efficient to continue staffing branch laboratories.

The SPHL offers various laboratory testing services to local public health agencies, private health care providers and laboratories, governmental entities, and individuals. A \$10 handling fee is usually charged on samples/specimens submitted by private physicians or individuals. This fee is waived for situations such as certain investigations, testing for a department unit or the federal government, or when the department considers the testing to be of vital importance to the public health.

In fiscal years 2002 and 2001, SPHL expenditures totaled approximately \$6.8 million and \$5.6 million, respectively, while revenues, including testing fees, handling fees, and Medicaid billings, totaled approximately \$1.3 million each year. Our review of the SPHL's operations disclosed the following:

- A. Generally, the SPHL does not recover the related costs of its laboratory services. Except for certain tests, the SPHL does not charge for the numerous types of laboratory services performed. In fiscal years 2002 and 2001, the SPHL performed tests on approximately 400,000 samples/specimens each year.

According to SPHL officials, the benefit for providing the services free of charge is that the department gains access to various health information which relates to the health status of the state and this information is utilized by various department programs. The officials believe that by charging for their services there is a risk the various entities might choose to use another laboratory for tests, might restrict/reduce tests, or might eliminate needed tests. Thus, there is a potential for a greater health risk to the general public and the department might not receive relevant health information needed.

To help recover laboratory costs, as feasible, the SPHL should periodically perform a cost-benefit analysis of its fee structure and the related costs of performing the laboratory services.

- B. Some of the services provided by the SPHL are reimbursable through Medicaid and Medicaid managed care plans; however, during fiscal years 2002 and 2001, the SPHL did not always bill the Medicaid programs for its services.

Although the SPHL can receive Medicaid reimbursement for metabolic (newborn) screening, lead screening, and sexually transmitted disease (STD) testing, it appears the SPHL stopped billing the managed care plans for STD tests and lead screenings several years ago, and discontinued billing Medicaid for newborn screening during fiscal year 2002. According to SPHL officials, the reasons for not billing the Medicaid programs included lack of staff, little emphasis on the billing function, low match rates on newborn names, and antiquated billing/claims software.

However, in fiscal year 2003, the SPHL re-established its Medicaid billing. According to department records, for the period July to December 2002, the SPHL collected Medicaid reimbursements of approximately \$73,000 for newborn screening and STD testing.

The SPHL needs to continue its efforts to recover Medicaid testing costs on all applicable services.

- C. The need for branch laboratories is unclear. The SPHL oversees three branch laboratories, in Springfield, Poplar Bluff, and Mt. Vernon. However, the majority of the testing is performed by the main laboratory located in Jefferson City, including most services performed by the branch laboratories.

The Springfield laboratory performs water and rabies testing, while the Poplar Bluff laboratory only performs water testing. All tuberculosis testing for the state is performed by the Mt. Vernon laboratory.

According to department records, during fiscal years 2002 and 2001, approximately 8 and 4 percent of the total number of specimens tested were performed by the Springfield and Poplar Bluff laboratories, respectively. In

addition, the number of tuberculosis specimens tested declined to approximately 9,400 in fiscal year 2002 from approximately 15,300 in fiscal year 2001. Also, from July to December 2002, only about 2,200 tuberculosis specimens were tested. According to laboratory officials, the decline in the number of tuberculosis specimens tested appears due to the laboratory increasing its fee to hospitals and laboratories for tests of initial specimens and discontinuing offering certain services. As of March 2003, the number of employees at the Springfield, Poplar Bluff, and Mt. Vernon laboratories was five, four, and seven, respectively.

The SPHL needs to perform a cost-benefit analysis to determine if it is effective and efficient to continue staffing branch laboratories or to consolidate all laboratory services at the main laboratory.

WE RECOMMEND the DHSS, Office of the Director:

- A. Require the SPHL perform a cost-benefit analysis of its fee structure and the related laboratory costs, on a periodic basis.
- B. Require the SPHL to consistently bill the Medicaid programs for all applicable services.
- C. Require the SPHL perform a cost-benefit analysis of the branch laboratories to determine whether the continued operation of these facilities is justified.

AUDITEE'S RESPONSE

- A&B. *We agree. We have recently hired a Fiscal and Administrative Manager (Fiscal Liaison) for the State Public Health Laboratory (SPHL) in order to facilitate the improvements identified in this audit.*
- C. *We agree. In the FY 2004 budget process the department and the General Assembly considered elimination of the branch laboratories in Poplar Bluff and Springfield. The plan approved by the General Assembly provided funding during FY 2004 for a one-year phase-out of the laboratories. Therefore, this issue should be resolved in the FY 2005 budget.*

4.

Time Accounting

Some personal service costs may have been charged to an inappropriate funding source(s), and various state and federal programs could have been over and/or under charged for these costs.

In November 2001, the department started using the Statewide Advantage for Missouri (SAM II) system to compile employee hours spent on the department's various state and

federal programs. SAM II uses a Labor Distribution Profile code (LDPR) to distribute employee time and the LDPR may distribute time to multiple funding sources (programs). Each employee is assigned a primary (default) LDPR based on his or her primary job duties. However, the default LDPR can be over-ridden for work performed on activity unrelated to the employee's primary duties. Appropriate LDPRs are established at the start of a new program and/or grant and generally are not changed during the life of the program/grant. Department employees prepare weekly timesheets indicating time spent on various activities for the related LDPRs. These timesheets are reviewed and approved by the employee's supervisor.

Our review of timesheets, from September 2002 to March 2003 for seven employees, noted three employees in which the default LDPR recorded on their timesheets did not agree to their default LDPR on SAM II. For one of these employees, it appears the proper default LDPR, based on the employee's duties, was on SAM II. However, for the other two employees, it appears the default LDPR on SAM II did not support the activities reported on the employee's timesheet. As a result, the time for these employees may not have been charged to the appropriate funding source(s). Charging time to an incorrect LDPR could cause various state and federal programs to be over and/or under charged for personal service costs.

The department should periodically compare the default LDPR recorded on timesheets to the default LDPR on SAM II for each employee. Any discrepancies should be reviewed and resolved to ensure time is charged to the proper funding source(s). In addition, department employees and their supervisors should ensure the timesheets reflect the employee's actual activities and the proper related LDRP(s).

WE RECOMMEND the DHSS, Office of the Director establish procedures to periodically review and compare the default LDPR on SAM II for each employee to the default LDPR assigned for the employee's timesheet.

AUDITEE'S RESPONSE

We partially agree. We expect each Division/Center to monitor their LDPR defaults to ensure that they are appropriate for each employee. Fiscal Liaisons for each Division/Center will be reminded that they need to review their LDPRs for their employees and to notify Budget Services when LDPRs are changed. Also, we will have Personnel send a copy of all approved "Request to Fill" forms to Budget Services so that they can review for LDPR changes.

5. Computer Equipment Controls, Policies, and Records
--

The department needs to improve its oversight of computers and related equipment. Documentation for the review, approval, and justification of computer purchases is not always maintained. Also, guidelines have not been developed for assigning multiple computers to employees. Additionally, fixed asset records for computer equipment were not always complete and accurate.

The department incurs significant costs associated with its purchases of computers and related equipment. In fiscal years 2002 and 2001, computer equipment expenditures totaled approximately \$2.5 million and \$2.6 million, respectively. Our review of the department's controls, policies, and records over its computer equipment disclosed the following:

A. The department has not developed a department-wide oversight function for computer and related equipment purchases. Although there are procedures requiring the OIS to review and approve the technical aspects relating to computer purchases, there is no overall review and evaluation of the need for these purchases or overall tracking of the disposition of replaced computers, on a department-wide basis. The various department units are responsible for evaluating and justifying the need for computer purchases for their unit and ensuring the replaced computer is properly transferred to another employee within the unit; returned to OIS to be repaired or stored for later use by other units; or surplus. The lack of department-wide oversight of computers contributed to the following:

- According to OIS personnel, some units have surplus computers which were more up-to-date than computers used by other units.
- Some units keep extra computers in storage in case an existing computer becomes unusable in addition to the extra computers maintained by OIS for this purpose.
- One unit replaced a laptop which had "crashed" with a new laptop and did not send the damaged laptop to OIS to be repaired or surplus. The damaged laptop was stored in a file cabinet.

A department-wide oversight function for computer and related equipment purchases would help the department control costs and ensure all units have adequate and necessary computer equipment. In addition, an oversight function would help correct the problems noted below.

B. Documentation of OIS's review and approval of computer purchases is not retained. Department policy provides that purchase requests for computers, computer peripherals, printers, software, and computer services be reviewed by OIS for completeness and accuracy and for suitability with the state's and department's technical architecture plans. However, the email documenting this review/approval is not retained by either OIS or the various units. Adequate documentation of OIS's review and approval of computer purchases should be retained to show compliance with department policy.

C. Documentation supporting the justification of computer purchases was not always maintained. The department's technology purchasing guidelines require each unit

to determine, document, and maintain the justification for computer purchases. However, this justification was rarely documented and maintained by the units we contacted and several units were not aware of the guidelines.

- D. Formal written guidelines have not been developed for assigning more than one computer to an employee or position. Many units allow more than one computer be assigned to an employee. For example, department records showed a division director was assigned two laptops and three personal computer (PC) systems, with one of the PC systems located at the employee's home. Without guidelines and justification for assigning more than one computer to an employee, it is unclear whether the expense of acquiring multiple computers for an employee/position is appropriate and necessary.
- E. The fixed asset records were not always accurate as to the computer equipment's description, physical location, or unit/individual assignment. Although the various department units contacted generally maintained some type of equipment assignment records, these records were not always accurate or current.

We noted two of seventeen (12 percent) computers tested were on the fixed asset listing but could not be located. In addition, paperwork supporting the removal of another computer from the fixed asset records could not be located. According to department employees, these computers were surplus; however, either the proper paperwork was not completed to remove the items from the fixed asset records or the paperwork was misplaced. We also noted numerous instances where computers were transferred between units, without the transfer being documented in the fixed asset records. Without maintaining current documentation of computer assignments and locations, the controls over equipment are weakened.

Accurate fixed asset records are necessary to properly safeguard assets. The Code of State Regulations, 15 CSR 40-2.031, requires state agencies to maintain adequate fixed asset records which include identification number; description of the item including name, make, model and serial number, where appropriate; acquisition costs; date of acquisition; estimated useful life at date of acquisition; physical location in sufficient detail to readily locate the item; and method and date of disposition for each fixed asset.

WE RECOMMEND the DHSS, Office of the Director:

- A. Consider establishing a department-wide oversight function for the review and justification of computer and related equipment purchases.
- B. Ensure documentation of OIS's review and approval of computer purchases is retained.
- C. Ensure justification of computer purchases is prepared and maintained.

- D. Develop written guidelines for assigning more than one computer to an employee/position.
- E. Ensure complete and accurate fixed asset records for computer equipment, including assignments, are maintained. In addition, appropriate forms should be completed and retained for computer equipment transferred or surplus.

AUDITEE'S RESPONSE

- A&E. We disagree. We feel that we have Department-wide oversight through various levels, consisting of supervisor approval, Division Director approval, and OIS review. The Department does have a Fixed Asset Manager who is responsible for overseeing the inventory, tagging and tracking of all fixed assets. With the merger of Division of Aging and the Department of Health into the new Department of Health and Senior Services, there were major movements of fixed assets and the need to retag all fixed items with new DHSS inventory tags. This has been a major undertaking, and we have still not completed everything in this regard, but hope to complete this task within the next two months. For the auditors to only find these few examples amidst this major upheaval is a sign that we do try to diligently oversee our fixed asset responsibilities.*
- B. We disagree. Several months ago we changed our internal procedures and now OIS is retaining copies of the approval e-mails. Therefore, since we have already identified and addressed this concern, this finding is no longer an issue.*
- C. We disagree. The Department recognizes the signatures at the Bureau and Division level as adequate justification as long as the computer purchase is approved by OIS. OIS may require written documentation in order to make a decision of whether or not to approve the acquisition. DHSS Administrative Policy 24.6.IV.B is being reviewed and clarified by OIS. The policy is misleading as written because it does not say who is to receive the justification and what they are to do with it. OIS drafted the policy but they do not receive any justification for computer equipment.*
- D. We disagree. One of the computers in this example was inoperable, but was still in the Division Director's office prior to the hard drive being wiped and the computer being surplus. The laptops were available for various people in the Division's use as needed—they were not only for the use of the Division Director, though they were assigned to her.*

6.**Cellular Telephones**

The department needs to improve its policies and controls over cellular telephones. The procurement and coordination of all cellular telephone equipment and services has not been adequately overseen. Additionally, cellular telephone usage patterns were not always adequately analyzed to ensure each user was enrolled in the most cost-effective service plan, and personal use was not always identified and restricted.

The department's cellular telephone policy requires each unit to develop an internal control system over cellular telephone services for that unit, including acquiring the service, reviewing and approving billing statements, and analyzing usage patterns. In addition, the unit is responsible for restricting personal use and seeking reimbursement for personal use of cellular telephone services. The units also need a procedure to ensure corrective action is taken for excessive and/or repeated excessive personal use of cellular telephone services. Most units we contacted require employees to review their cellular telephone statement, identify any personal calls, and issue a check to the applicable vendor for the cost of the personal calls. Expenditures related to cellular telephone services totaled approximately \$33,600 and \$22,100, for fiscal years 2002 and 2001, respectively.

Our review of the policies, controls and records for cellular telephone services disclosed the following:

- A. The department has not designated a person(s) to be responsible for procuring and coordinating all its cellular telephone equipment and services, as provided by OA's wireless telephone policy, SP-3. As noted above, each unit is responsible for its cellular telephones.

Not only is the department unable to readily identify the total number of cellular telephones used by employees, the department units did not always follow their individual policies and procedures, and policies and procedures were inconsistent among the units reviewed. As a result, the department has little assurance that cellular telephones are used efficiently and effectively.

To improve the efficient and effective use of cellular telephones, the department should consider designating a person(s) to be responsible for all department cellular telephone services, including the procurement of equipment and service, the maintenance of records, such as equipment tracking and personal reimbursements, and the determination of whether rate plans are appropriate.

The lack of assigned responsibility for all department cellular telephone equipment and services contributed to the problems noted below.

B. It appears the procedures by which plans are reviewed were not always effective. Some employee cellular telephone plans did not appear to match their usage patterns.

- One cellular telephone, enrolled in a plan allowing 150 minutes per month for \$27, had significantly higher than allowed usage. For 5 of 6 months reviewed, the cellular telephone was used from 311 to 778 minutes per month resulting in additional average monthly charges of approximately \$122.

Although the unit later changed the plan for this phone, the number of new plan minutes was only increased to 350 minutes per month. According to the unit's records, the monthly usage was estimated to be 550 minutes per month, resulting in an additional charge of \$70 per month, or an estimated monthly charge of \$112. Other state plans may be more appropriate. For example, a nationwide plan includes 900 minutes for \$85 or 550 minutes for \$59 per month.

- Another cellular telephone enrolled in a plan allowing 150 minutes per month for \$18 was used over 1,100 minutes one month resulting in additional charges of over \$600.

In addition, the usage exceeded the number of plan minutes for many billing statements reviewed, which resulted in additional costs to the department.

Cellular telephone usage patterns should be routinely monitored and analyzed to ensure each user is enrolled in the most cost-effective plan. The department should review its current and historical levels of cellular telephone use for business-related purposes along with the types of employee positions that require cellular telephones and develop a standard for matching employees and their positions to cellular telephone plans. Implementing such procedures should result in cost savings to the department.

C. Some cellular telephone billing statements were not adequately reviewed to ensure all personal use was identified and reimbursed. Also, personal use of cellular telephones may not be restricted, as appropriate.

For two cellular telephones reviewed, some telephone numbers identified as personal calls on a billing statement were not always identified elsewhere on that statement or on other statements as personal calls. In addition, no personal calls in the plan (free) minutes were identified for one of these telephones, even though a specific number(s) was identified as personal elsewhere in the statement.

In addition, the number of personal calls identified for these two cellular telephones may be excessive. One employee identified approximately 50 personal calls during the month reviewed and reimbursed the vendor \$40 for these

calls. The other employee identified an average of 20 personal calls per month during the five months reviewed. The employee reimbursed the vendor \$226 for these personal calls.

The department needs to ensure procedures are adequate to identify all personal calls which should be reimbursed and ensure corrective action is taken for excessive use. The department may want to consider prohibiting the personal use of cellular telephones, except in cases of emergency.

In September 2001, the department's internal audit section reported similar problems regarding appropriate plans for cellular telephone services and personal use.

WE RECOMMEND the DHSS, Office of the Director:

- A. Consider designating a specific person(s) to be responsible for procuring and coordinating all cellular telephone equipment and services.
- B. Expand current policies and procedures to ensure the most cost-effective cellular telephone plans for business-related purposes are selected based on actual business usage by department personnel.
- C. Ensure personal calls are identified, reimbursed, and restricted, as appropriate.

AUDITEE'S RESPONSE

A&C. We disagree.

B. We partially agree.

We are not in a position to designate a departmental person to be responsible for processing and coordinating all cell phones at this time. We expect each Division/Center to monitor their cell phones and to adhere to Department policies and procedures in this matter. The Chief Operating Officer will send a memo to each Division/Center asking them to review their cell phone plans with their current calling activity to ensure that they are on the appropriate plan and to remind them to have staff limit personal calls. Each Division/Center should monitor and document that they have reviewed their cell phone plans/usage every 6 months. The Department discourages excessive use of personal phone calls. When a personal phone call is placed on a DHSS cell phone, the employee is charged 35 cents a minute, even if the calls were placed during "free" minutes per the phone plan. This is more restrictive than OA policy, and we feel it discourages personal usage but allows those calls to occur should the employee deem it necessary.

Bids were not obtained for some expenditures. In addition, many invoices were not processed and paid on a timely basis and supporting documentation was not adequate for several employee expense claims. Also, some food expenditures did not appear to be a prudent, reasonable, or necessary use of department funds.

- A. Bids were not obtained for some expenditures in excess of \$3,000. It appears some purchase orders for laboratory supplies, such as testing kits, were split to stay below the bid requirement. We noted some testing kits, totaling \$6,300 and \$5,440 in fiscal years 2002 and 2001, respectively, were ordered in batches costing less than the bidding requirement. We also noted numerous other purchases of similar laboratory supplies costing less than \$3,000. Laboratory supply expenditures totaled approximately \$2.3 million and \$1.9 million in fiscal years 2002 and 2001, respectively.

In addition, conference expenses incurred during April 2001, including lodging, food, and equipment rental, totaling over \$4,300, for training participants related to community assessment/intervention were not bid.

Section 34.040, RSMo 2000 and OA's procurement policy requires bids be obtained for purchases over \$3,000, including any item in which the total expenditure over a twelve month period is over \$3,000. Competitive bidding helps ensure the department receives fair value by contracting with the lowest and best bidders, and also ensures all interested parties are given an equal opportunity to participate in the state's business.

- B. Many invoices were not processed and paid on a timely basis. Eleven of twenty-five (44 percent) invoices reviewed were processed for payment between 51 and 116 days after the invoice date. Another invoice was paid over 300 days after the invoice date. It appears the delays may be due to untimely review, approval, and processing by the various department units. Not paying invoices on a timely basis could result in late charges which would be an unnecessary expense to the department. Internal procedures should be adopted to ensure the timely payment of invoices.

Similar problems were reported by the department's internal audit section in February 2001.

- C. Some food expenditures did not appear to be a prudent, reasonable, or necessary use of department funds. In addition, the supporting documentation for these disbursements did not always indicate the business purpose or identify those people attending.

- Appreciation luncheon, totaling \$468, for 28 employees at the Governor's Mansion.
- Luncheon, totaling \$351, for a one-half day training session held in Jefferson City. All of the approximately 60 employees were domiciled in Jefferson City, and the luncheon was combined for attendees at the morning and afternoon sessions.
- Luncheon/retirement party, totaling \$293, held during the workday for 45 individuals. Some attendees were not department employees.
- Dinner, totaling approximately \$1,300, in conjunction with a meeting promoting minority health. The 50 attendees included legislators and church leaders. Two department employees were speakers.
- Breakfast and luncheon, totaling over \$1,350, for a diabetes conference. Although the department was billed for 50 breakfasts and 125 lunches, only 58 attendees were documented.

Documentation for department provided food expenditures should include the business purpose of the meeting, a list of participants, and a clear compelling reason as to the necessity for providing the meals.

WE RECOMMEND the DHSS, Office of the Director:

- A. Ensure competitive bids are obtained on all applicable purchases, in accordance with state law.
- B. Adopt procedures to ensure invoices are paid in a timely manner.
- C. Ensure documentation for department provided food is adequate to identify the participants and to show the clear business purpose and necessity for providing the meal.

AUDITEE'S RESPONSE

- A. *We partially agree. The Department makes every effort to follow OA's requirements in securing bids. The expenditures cited by the auditors were very rare occurrences, not indicative of the thousands of procurements done by our Department each year. We will continue our efforts to monitor and prevent purchases being "split" to avoid obtaining a bid.*
- B. *We disagree. These were very rare occurrences, and they were due to circumstances that were beyond our control. If the vendor does not submit an invoice timely, we cannot pay it timely. Also, an invoice may not be timely paid if all required documentation is not submitted. Divisions and vendors are encouraged to submit their documents to the*

Division of Administration, Bureau of Financial Services, Accounts Payable Section in a timely manner. On a whole, the Department pays its invoices in a timely manner.

- C. *We agree. But have already taken corrective action. The Department revised Financial Policy 1.11 on November 15, 2003, and these revisions incorporate the findings in this audit. Therefore, we feel that we have already identified these areas of concern and have corrected them. We feel that having our employees follow this policy should adequately address this finding.*

8. State Vehicles

The department needs to improve its management of state-owned vehicles. Vehicle usage logs are not always sufficient and prepared for all vehicles. Also, the vehicle assigned to the chief operating officer does not have state license plates.

At December 31, 2002, the department maintained a fleet of 97 vehicles for use by both central office and field employees. The department maintains a fleet of service and program specific vehicles, with some vehicles assigned to specific employees. The vehicles are assigned to the various department units and the director's office as follows:

Field offices	58
Jefferson City	39

Our review of state-owned vehicles disclosed the following concerns:

- A. Vehicle usage logs are not maintained for all vehicles and vehicle usage documentation, where maintained, varied among the department units. Some documentation lacked adequate vehicle information such as trip detail and vehicle maintenance and repair costs. In addition, vehicle usage documentation maintained by the director/chief operating officer only identified the number of commuting round trips (not miles) each month and the ending month's mileage.

Vehicle usage logs should be maintained and reviewed to ensure vehicles are properly used for business purposes. In addition, OA's vehicle guidelines, Policy SP-4, provides that "vehicle usage logs must be maintained for each state vehicle and include the following information: name of driver, date(s) used, beginning and ending odometer readings, destination and purpose of use." Also, operating costs such as fuel and maintenance should be documented. The department's guidelines only provide a vehicle log be maintained for vehicles available for use by multiple staff. Thus, mileage logs are not required for assigned vehicles.

The department should require vehicle usage records be prepared for all state-owned vehicles in compliance with OA policy.

- B. The vehicle assigned to the chief operating officer does not have state license plates. According to department officials, vehicles with non-state license plates are needed for confidential investigations and security issues. However, it is unclear if non-state plates are necessary for the chief operating officer's duties and responsibilities. In addition, since this vehicle is permanently assigned to the chief operating officer and is used primarily for commuting, it appears unlikely the vehicle was intended to be used by or is used by other employees. If the department continues to assign a vehicle to the chief operating officer for commuting, the department should assign a vehicle with state license plates.

Condition A. was noted in our audit report, Managing State Vehicles at the Department of Health, issued in January 2002.

WE RECOMMEND the DHSS, Office of the Director:

- A. Require mileage logs be maintained for all state-owned vehicles, as required by OA policy. These logs should be periodically reviewed for propriety.
- B. Evaluate the assignment and licensing of the state-owned vehicle used by the chief operating officer.

AUDITEE'S RESPONSE

- A. *We disagree. It is not practical or logical for the Chief Operating Officer or the Department Director to maintain vehicle usage logs because these vehicles are provided for and used for business related purposes. The time and inconvenience vs benefit of maintaining these logs does not justify that these two individuals need to maintain these logs. The Chief Operating Officer and the Department Director are persons of high personal integrity who need to be available 24 hours a day to run the Department of Health and Senior Services, and these vehicles have been provided to them to help them in the performance of their duties.*
- B. *We disagree. A non-state license plate was assigned to this vehicle a number of years ago as a result of threats the department received regarding Comprehensive Family Planning Activities. It became essential, for the safety and security of the Chief Operating Officer and others using the vehicle, for a non-state license plate to be assigned. We do not see that any benefit from having a state license plate would outweigh the safety concerns. With biological and other threats against our Department's leadership, we think we need to consider also having a non-state license plate assigned to the Department Director vehicle.*

The department's internal audit section is not fully independent of the activities it audits. Under the current organization structure, the internal audit section does not report to top management, but instead reports to the Director of the Division of Administration. Virtually all the department's financial transactions flow through or are reported to this division.

The Institute of Internal Auditors' standards provide that internal audit activity is to be independent and should "report to a level within the organization that allows the internal audit activity to fulfill its responsibilities". To ensure complete and objective audit coverage, the internal audit function must be independent of the activities it audits, through both departmental status and objective performance of its audits. Direct communication with the chief operating officer or the department director would help ensure independence and provide a means whereby top management can be kept abreast of current operations and activities.

WE RECOMMEND the DHSS, Office of Director consider having the internal audit section report directly to the chief operating officer or the department director.

AUDITEE'S RESPONSE

We disagree with the audit finding. It is generally recommended that Internal Audit report directly to the Department Director to ensure independence. In the Department of Health and Senior Services, the Internal Auditors report to the Director of Administration. However, independence and integrity is ensured because at any time the Internal Auditor may report "directly to the Department Director any information or action which, in the opinion of the Chief Internal Auditor, is deemed necessary to ensure the integrity and independence of the internal audit program" per DHSS Financial Policy 4.1.IV.A.9.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Health and Senior Services was created by the passage of House Bill 603 in May 2001. The bill transferred the roles and responsibilities of Division of Aging in the Department of Social Services to the Department of Health creating the Department of Health and Senior Services (DHSS). This change was made for better integration, closer coordination and communication regarding health, public health, regulation, and senior services for all Missourians.

The director is responsible for the management of the department and the administration of its programs and services. The chief operating officer assists the director in the management of the department and acts for the director in his or her absence. The following departmental units report directly to the director and chief operating officer:

Division of Administration: This division provides fiscal and general services support for the department.

Center for Health Information Management and Evaluation: This center is responsible for collecting, analyzing, and distributing health-related data that promotes the better understanding of health problems and needs in Missouri.

Center for Health Improvement: This center works directly with communities to help them assess their needs, identify capacity for meeting those needs, and develop partnership and collaborative efforts that will sustain long-term health improvement.

Center for Emergency Response and Terrorism: This center is responsible for coordinating regional and state planning for public health emergencies and natural disasters, including biological, chemical and nuclear terrorism.

State Public Health Laboratory: The laboratory provides testing services in the fields of chemistry, environmental bacteriology, microbiology, serology, and virology.

Office of Personnel: This office provides personnel management services and support for the department.

Office of Training and Professional Development: This office provides training services for the department and training and consultation to local health agencies.

Office of Public Information: This office coordinates all media contacts for the department and provides information in response to inquiries from other agencies and the public.

Office of Minority Health: This office was established by Section 192.083, RSMo 2000, to monitor the programs in the department for their impact on eliminating disparities that exist among black, Hispanic, Native, and Asian Americans.

Office of General Counsel: This office provides legal support and opinions to all departmental units, cooperation to the Attorney General's office in departmental litigation, and in-service training on legal issues for department employees and local health department staff.

Office of Governmental Policy and Legislation: This office coordinates the development, review, and tracking of public health related federal and state legislation and coordinates the development of intergovernmental and legislative policy.

Office of Women's Health: This office is responsible for the development of effective, comprehensive public policy that promotes improved physical and mental health and well being and lessens the burden of preventable disease and injury among the women and girls of Missouri.

Office of Epidemiology: This office provides epidemiological consultation to all departmental units to develop and implement research projects that assist in needs assessment, policy development, planning, and implementation of programs related to public health issues.

The State Board of Health advises the director regarding the priorities, policies, and programs of the department, and reviews rules promulgated by the department. The board consists of seven members appointed by the governor, with the advice and consent of the Senate. At June 30, 2002, the members were:

<u>Member</u>	<u>Term Expires</u>
Ollie C. Fisher, DMD, Chairman	October 13, 2002
Harold Bengsch, MSPH	October 13, 2002
Thomas M. Macdonnell, MD	October 13, 2004
Deborah Jantsch, MD	October 13, 2001 *
Karen Sylvara, DO	October 13, 2000 *
Mary Breckenridge, RN	October 13, 2000 *
Vacant **	

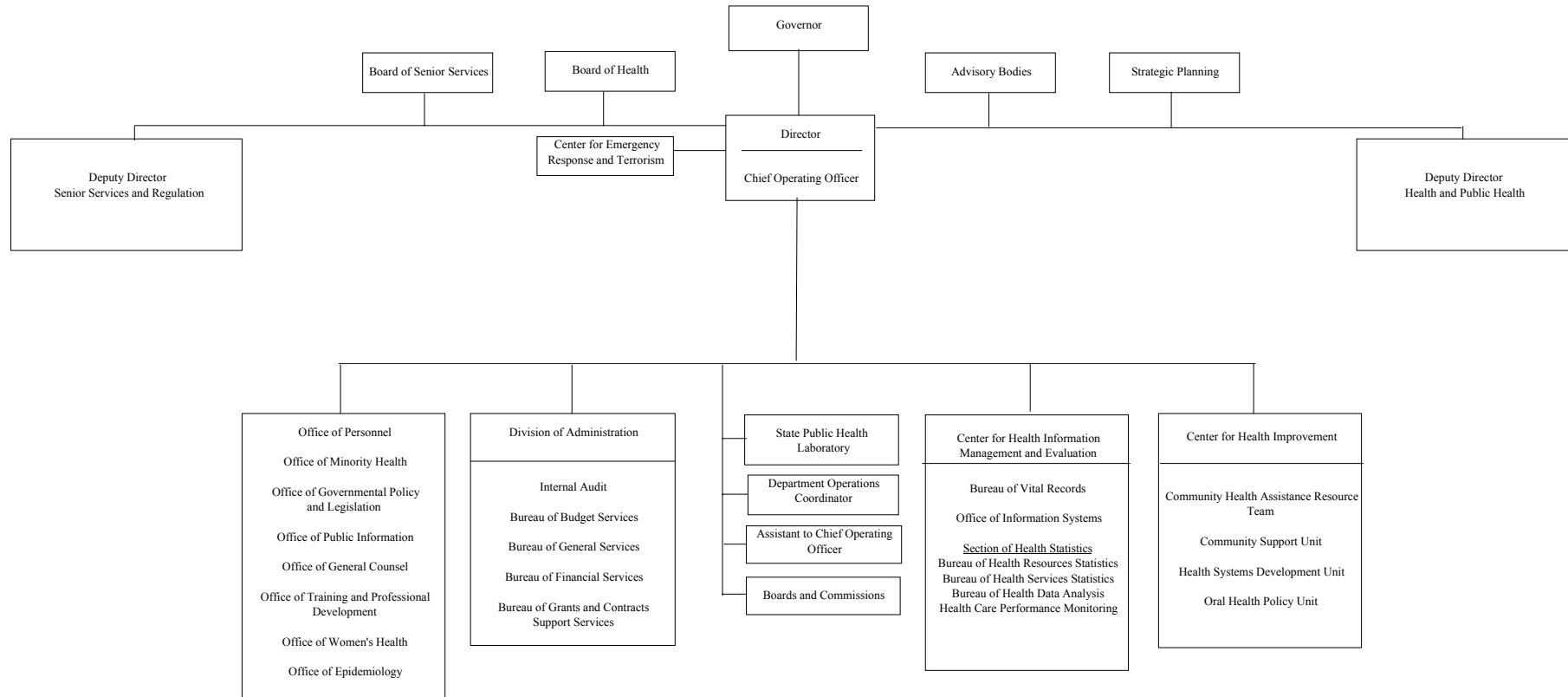
* Continues to serve until a replacement is appointed.

** Marcella Williams resigned on May 1, 2002. A replacement has not been appointed.

The governor, with the advice and consent of the Senate appoints the director of the department. Richard C. Dunn was appointed director in January 2003. Ronald W. Cates, who currently serves as the chief operating officer, served as interim director from January 2002 to January 2003, after the resignation of the former director, Maureen Dempsey. The department employed 2,071 employees at June 30, 2002, with 466 employees in the units reporting directly to the director's office.

An organization chart follows:

DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR
ORGANIZATION CHART
JUNE 30, 2002



Only the various units which report directly to the Office of the Director are identified. There are numerous other department units which report to the Deputy Director for Senior Services and Regulation and the Deputy Director for Health and Public Health, which have not been included on this organization chart.

Appendix A

DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30,						
	2002			2001		
	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Public Health Lab Personal Services	\$ 2,000,955	1,914,802	86,153	2,083,363	2,020,301	63,062
Public Health Lab Expense and Equipment	1,320,766	1,275,983	44,783	1,320,766	1,048,406	272,360
Community Development and Health Care Personal Services	163,162	156,899	6,263	37,444	24,433	13,011
Community Development and Health Care Expense and Equipment	31,240	29,943	1,297	0	0	0
Caring Communities	2,223,774	2,070,391	153,383	2,470,860	2,395,697	75,163
Community Provider Certification Personal Services	38,280	16,202	22,078	38,070	36,066	2,004
Community Provider Certification Expense and Equipment	10,000	5,158	4,842	10,000	561	9,439
Center for Health Information and Evaluation Personal Services	2,503,843	2,294,142	209,701	2,856,175	2,850,604	5,572
Center for Health Information and Evaluation Expense and Equipment	985,907	831,718	154,189	1,190,069	866,370	323,699
Medical Loan Program	13,950	0	13,950	13,950	13,531	419
Local Registrars	155,000	151,824	3,176	155,000	154,046	954
Community Health Assistance Resource Team Personal Services	346,890	314,268	32,622	387,758	367,290	20,468
Community Health Assistance Resource Team Expense and Equipment	160,334	101,261	59,073	160,334	112,143	48,191
Primary Care Resource Initiative for Missouri Program	400,000	388,000	12,000	636,000	616,920	19,080
Office of Minority Health Expense and Equipment	113,637	70,228	43,409	0	0	0
Minority Health and Aging Expense and Equipment	210,000	157,018	52,982	0	0	0
Division of Administration Personal Services	934,624	905,421	29,203	928,534	928,501	33
Division of Administration Expense and Equipment	336,661	185,516	151,145	343,467	305,307	38,160
Aid to Local Governmental Health Facilities	23,505	22,800	705	422,280	23,505	398,775
Total General Revenue Fund - State	11,972,528	10,891,574	1,080,954	13,054,070	11,763,680	1,290,390

Appendix A

DEPARTMENT OF HEALTH AND SENIOR SERVICES OFFICE OF THE DIRECTOR COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2002			2001		
	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
DEPARTMENT OF HEALTH FUND						
Community Development and Health Care Personal Services	515,024	435,985	79,039	304,241	185,776	118,465
Community Development and Health Care Expense and Equipment	348,233	325,879	22,354	348,233	238,136	110,097
Caring Communities	1,218,333	1,216,832	1,501	1,218,333	1,217,807	526
Community Health Assistance Resource Team Expense and Equipment	10,000	10,000	0	10,000	0	10,000
Center for Health Information and Evaluation Personal Services	3,356,498	3,223,611	132,887	3,337,420	3,030,043	307,377
Center for Health Information and Evaluation Expense and Equipment	4,129,375	3,789,378	339,997	4,129,375	4,094,080	35,295
Medical Loan Program	214,446	67,750	146,696	214,446	30,844	183,602
Nurse Loan Program	60,000	0	60,000	60,000	2,500	57,500
Community Health Assistance Resource Team Personal Services	121,808	113,200	8,608	121,178	115,699	5,480
Public Health Lab Personal Services	1,068,677	915,150	153,527	1,062,593	874,293	188,300
Public Health Lab Expense and Equipment	2,496,174	1,454,022	1,042,152	2,496,174	860,193	1,635,981
Office of Minority Health	106,904	97,138	9,766	0	0	0
Division of Administration Personal Services	1,279,008	1,278,824	184	1,270,817	1,269,918	899
Division of Administration Expense and Equipment	2,388,125	2,388,123	2	2,388,125	2,388,125	0
Total Department of Health Fund	17,312,605	15,315,892	1,996,713	16,960,935	14,307,414	2,653,521
HEALTH ACCESS INCENTIVE FUND						
Community Development and Health Care Personal Services	82,264	59,155	23,109	81,844	62,049	19,795
Primary Care Resource Initiative for Missouri Program	4,054,000	3,924,027	129,973	4,054,000	3,927,839	126,161
Total Health Access Incentive Fund	4,136,264	3,983,181	153,083	4,135,844	3,989,887	145,957
MISSOURI PUBLIC HEALTH SERVICES FUND						
Public Health Lab Personal Services	725,099	236,347	488,752	660,331	243,294	417,037
Public Health Lab Expense and Equipment	1,483,300	814,148	669,152	1,268,100	579,286	688,814
Division of Administration Personal Services	115,880	115,715	165	115,460	88,562	26,898
Division of Administration Expense and Equipment	419,280	20,069	399,211	419,280	57,510	361,770
Center for Health Information and Evaluation Expense and Equipment	50,000	50,000	0	50,000	45,464	4,536
Total Missouri Public Health Services Fund	2,793,559	1,236,279	1,557,280	2,513,171	1,014,116	1,499,055
PROFESSIONAL AND PRACTICAL NURSING LOANS FUND						
Community Development and Health Care Personal Services	62,756	61,525	1,231	62,336	54,017	8,320
Community Development and Health Care Expense and Equipment	22,500	7,861	14,639	22,500	2,853	19,647
Nurse Loan Program	450,000	369,393	80,607	450,000	402,536	47,464
Total Professional and Practical Nursing Loans Fund	535,256	438,780	96,476	534,836	459,406	75,430
HEALTH PROFESSIONAL LOAN AND LOAN REPAYMENT PROGRAM FUND						
Medical Loan Program	50,000	50,000	0	50,000	22,500	27,500
Total Health Professional Loan and Loan Repayment Program Fund	50,000	50,000	0	50,000	22,500	27,500

Appendix A

DEPARTMENT OF HEALTH AND SENIOR SERVICES OFFICE OF THE DIRECTOR COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2002			2001		
	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
WORKERS COMPENSATION FUND						
Center for Health Information and Evaluation Personal Services	112,942	108,781	4,161	112,312	111,327	985
Center for Health Information and Evaluation Expense and Equipment	18,000	18,000	0	18,000	18,000	0
Total Workers Compensation Fund	130,942	126,781	4,161	130,312	129,327	985
DEPARTMENT OF HEALTH-DONATED FUND						
Primary Care Resource Initiative for Missouri Program	850,000	519,840	330,160	850,000	782,431	67,569
Department of Health Donated Funds Personal Services	200,000	14,220	185,780	0	0	0
Department of Health Donated Funds Expense and Equipment	1,800,000	10,540	1,789,460	0	0	0
Total Department of Health-Donated Fund	2,850,000	544,600	2,305,400	850,000	782,431	67,569
DEBT OFFSET ESCROW FUND						
Debt Offset Escrow	50,000	10,671	39,329	50,000	6,190	43,810
Total Debt Offset Escrow Fund	50,000	10,671	39,329	50,000	6,190	43,810
Total All Funds	\$ 39,831,154	32,597,758	7,233,396	38,279,168	32,474,951	5,804,217

Note: The appropriations presented above are those appropriated to the units which report directly to the Office of the Director. Some expenditures relating to these units are charged to department-wide appropriations, and are noted in Appendix B.

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2002	2001
General Revenue Fund - State		
Personal Services	\$ 397,016	26,937
Expense and Equipment	446,729	643,627
Caring Communities	150,105	74,126
Medical Loan Program	13,950	419
Local Registrars	32,299	11,633
Aid to Local Governmental Health Facilities	705	398,775
Primary Care Resource Initiative for Missouri Program	12,000	19,080
Total General Revenue Fund - State	1,052,804	1,174,597
Health Access Incentive Fund		
Personal Services	2,468	2,455
Primary Care Resource Initiative for Missouri Program	121,620	121,620
Total Health Access Incentive Fund	124,088	124,075
Total All Funds	\$ 1,176,892	1,298,672

Appendix B

DEPARTMENT OF HEALTH AND SENIOR SERVICES
OFFICE OF THE DIRECTOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,			
	2002		2001	
	Expenditures from Office of the Director Appropriations	Expenditures from Department-wide Appropriations for Office of the Director	Expenditures from Office of the Director Appropriations	Expenditures from Department-wide Appropriations for Office of the Director
Salaries and wages	\$ 12,164,247	2,855,049	12,262,171	2,056,572
Travel:				
In-state	186,684	61,228	154,584	89,942
Out-of-state	40,459	28,242	105,260	52,908
Fuel and utilities	258,511	126,008	285,006	88,858
Supplies	2,648,089	445,071	2,378,591	207,616
Professional development	105,691	49,094	161,456	100,770
Communication services and supplies	811,863	278,365	833,421	154,661
Services:				
Health	0	0	1,410,394	690,691
Business	0	0	977,769	117,517
Professional	4,069,569	2,065,097	1,513,190	689,187
Housekeeping and janitorial	179,087	27,307	185,479	12,685
Maintenance and repair	893,881	12,362	0	0
Equipment maintenance and repair	0	0	813,943	53,778
Transportation maintenance and repair	0	0	7,467	5,681
Equipment:				
Computer	891,607	549,804	1,187,132	408,470
Electronic and photo	0	0	23,020	14,452
Medical and laboratory	0	0	90,876	0
Motorized	28,713	0	38,502	0
Office equipment	87,614	13,394	178,777	22,455
Other	490,302	172,908	0	0
Specific use	0	0	9,701	203
Property and improvements	52,028	5,446	203,108	8,666
Rentals and leases:				
Building leases	2,290	2,378	141,964	10,637
Equipment rental and leases	640,989	25,057	458,359	22,569
Building and equipment rentals	0	0	124,632	58,541
Miscellaneous expenses	101,882	17,361	38,574	45,438
Refunds	68,260	123	34,120	23
Program distributions	8,875,993	0	8,857,454	286,514
Total Expenditures	\$ 32,597,758	6,734,291	32,474,951	5,198,833

Note: Certain classifications of expenditures changed during the two-year period, which may affect the comparability of the amounts.

* * * * *